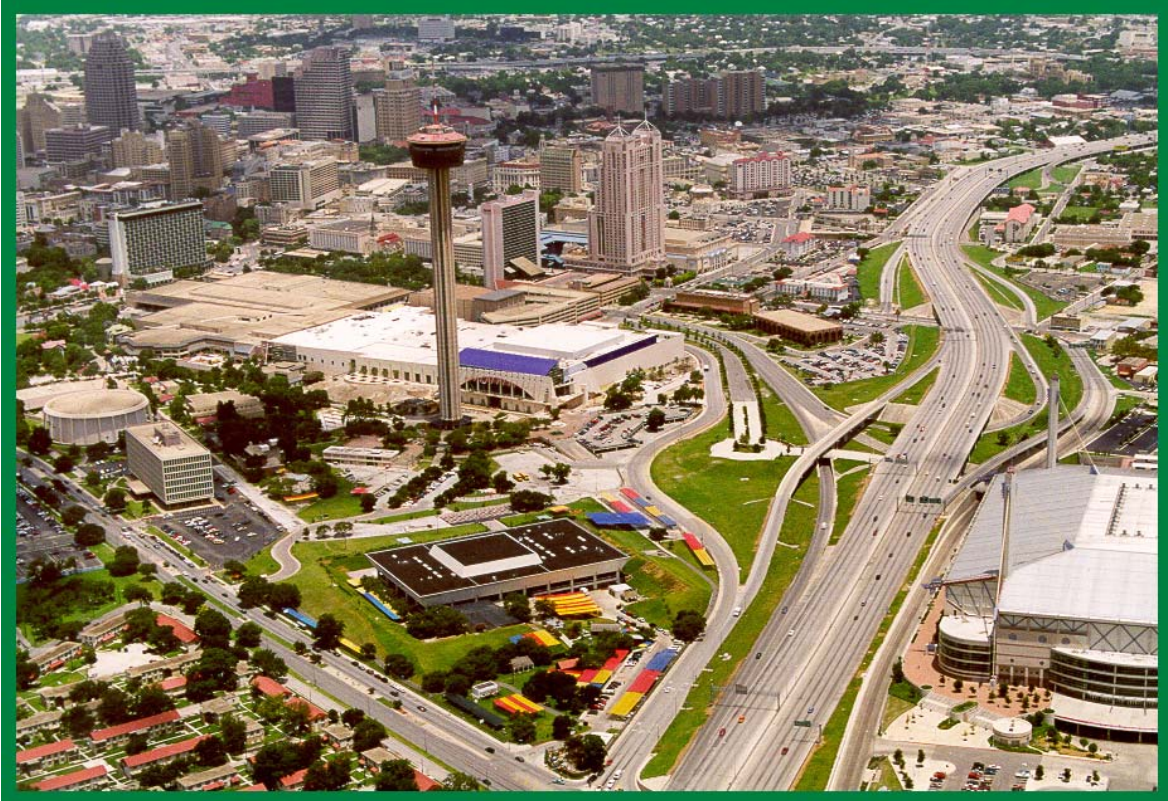


City of San Antonio



Federal Initiatives Program
107th Congress - 2nd Session
2001

City of San Antonio



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107th Congress - 2nd Session

Federal Legislative Program

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Executive Summary

In preparation for the 2nd Session of the 107th Congress, the City of San Antonio has identified 12 legislative and regulatory issues to be included in its Federal Initiatives Program. These issues were identified in cooperation with the City's federal consultants, coordinated through the External Relations Department with assistance from the City Manager's Office and representatives from all City departments and local agencies. Issues were reviewed by the City Council State and Federal Initiatives Committee, chaired by Councilman Bonnie Conner and including Council members Enrique Barrera, Julian Castro, Bobby Perez and Carroll Schubert.

The 2002 Federal Initiatives Program addresses regulatory issues related to maximizing the economic value of our current and former military bases, obtaining an \$81 million Letter of Intent (LOI) from the Federal Aviation Administration (FAA) for the San Antonio International Airport, working with the Environmental Protection Agency (EPA) to ensure that San Antonio remains the largest "clean air" city in the United States and continuing to seek assistance from the Department of Housing and Urban Development for inner-city revitalization. Legislative priorities include, preparation for the 2005 BRAC base realignments and closures, ensuring that any national energy policy does not harm the interests of City Public Service and securing \$66 million for enhancing the community's emergency preparedness.

Appropriations initiatives include securing \$5 million to support the education and research and development efforts of The Center for Infrastructure Assurance and Security (CIAS). Other legislative initiatives include securing the designation of the Camino Real de los Tejas as a National Historic Trail, and to support legislation or executive action for the effective expansion of the NADB's geographic and sectoral mandates in order to maximize its lending potential.

While Congress is in session, the State and Federal Initiatives Committee will meet periodically to review the City's priorities and receive updates from the government affairs team on pending legislative and regulatory affairs. As additional issues of interest to San Antonio arise during the session, the Committee will review such and if necessary, submit recommendations to the full Council for consideration.

The government affairs firm of Loeffler, Jonas & Tuggy L.L.P. has been retained to represent, advise and consult with the Executive and Legislative branches of the Federal government on behalf of the City. Additionally, the City of San Antonio works with the National League of Cities and the U.S. Conference of Mayors on a variety of other municipal issues pending before Congress and the Administration.

Camino Real de los Tejas National Historic Trails

PROPOSAL

To support H.R. 2409, The Camino Real de los Tejas National Historic Trail Act, that would designate the Camino Real de los Tejas as a National Historic Trail.

BACKGROUND

The camino real, or royal highway, forged the way for the early development of Texas into a Spanish colony, an independent Republic, and a state in the United States. As the first great highway into Texas, this camino real opened the door to trade and cultural exchange which continues to impact our lives today.

The State of Texas recognized the critical importance of these royal highways in 1929 when the state legislature designated portions of El Camino Real de los Tejas, later known as the Old San Antonio Road, as one of Texas' historic trails. State Highway 21 marks the trail's pathway in many parts of the state as do state historical markers. The Camino Real de los Tejas represents a series of roads and trails extending for more than 1,000 miles from Mexico City to the Rio Grande, to San Antonio and then to East Texas and Louisiana. These early Indian trails developed by the Spanish into routes of exploration, missionary work and colonization. The earliest Spanish route stems back to the travels of Alonso de León in 1689. During the next 150 years, explorers, traders, ranchers, immigrants, armies and missionaries blazed a series of trails through South Texas to San Antonio and through to the east. Designation as a National Historic Trail would greatly enhance the resources available for trail preservation and public education of its unique and important history.

The National Park Service completed a feasibility study in July 1998 that concluded that the proposed trail met all applicable criteria in the National Trails System Act (PL 90-543).

FINANCIAL IMPACT

Recognizing the significance of the Camino Real de los Tejas and its historical importance will help enhance tourism and economic development in the many cities and towns along the trail system, including San Antonio. Local museums and historical sites will be given new opportunities for growth. A number of public roads, state parks and national forests can provide public access to this important piece of our history, and there could be federal grant opportunities for local facilities with the designation.

Center for Infrastructure Assurance and Security (CIAS)

PROPOSAL

To secure \$5 million in federal funding to support the education research and development efforts of the Center for Infrastructure Assurance and Security (CIAS).

BACKGROUND

The Center for Infrastructure Assurance and Security (CIAS) is designed to leverage San Antonio's Infrastructure and Assurance (IAS) strengths as part of the solution to the nation's deficit of IAS talent and resources. The CIAS will be the anchor of a collaborative multi-tiered program focused on growing San Antonio's IAS talent and supporting national IAS Research and Development.

Members from private industry, academia, and the government have created a blueprint for developing a multiple entry, multiple exit pipeline of IAS talent, anchored around the Center for Infrastructure Assurance and Security (CIAS) at The University of Texas at San Antonio. CIAS is a coordinated effort between the Air Intelligence Agency at Lackland AFB, private IAS companies, 2-year and 4-year colleges, training institutions, and research institutions. The CIAS will serve as a source for funds and talent supporting undergraduate and graduate research to further develop San Antonio's base of IAS talent.

Initial research areas include the development of a State/Regional Infrastructure Protection System, Infrastructure Assurance assessments of wireless and biometrics technology, intrusion detection and recovery, and voice over IP security. The center's initial research will focus on security assessments of biometrics devices as mandated by Congress.

The CIAS will work closely with the world renowned "Security Hill" and its agencies, the Air Intelligence Agency (AIA), the Joint Information Operations Center (JIOC), the Cryptologic Systems Group (CSG), and the Air Force Computer Emergency Response Team (AFCERT), to perform Research and Development on the critical and complex security-focused matters facing them. Additional cooperative efforts between Security Hill and CIAS include student internships, joint conferences, education and training programs, and adjunct professors. The CIAS will work with local school districts and colleges to create the Infrastructure Assurance and Security Academy (IASA) at the high school level.

The IASA is modeled after the successful Aviation Academy at Kelly USA, with courses offered at two campuses so that every student in the city will be within 20 minutes of classes. The program is designed for both vocational training and college

prep. These students will earn college credit as well as learn the skills to support high paying jobs.

The CIAS and IASA will be linked with 4-year universities, the Alamo Community College District campuses, Adult Education institutions, and various for-profit and non-profit training organizations. This linkage will complete a one-of-a-kind pipeline for IAS talent generation. The pipeline extends from high school through graduate school and offers multiple entry and exit points.

FINANCIAL IMPACT

The financial impact is undetermined at this time.

Clean Air

PROPOSAL

To facilitate San Antonio's compliance with National Ambient Air Quality Standards, especially for ground-level ozone, while maintaining economic stability region-wide. The accomplishment of these goals may require accelerating the introduction of cleaner burning fuels and vehicles, implementing Intelligent Transportation System Projects, and encouraging EPA to use its authority to grant near non-attainment areas use of an Ozone Flex Plan.

BACKGROUND

The federal Clean Air Act, passed originally in 1970 and last amended in 1990, has become one of the landmark environmental initiatives in history. It established a process for setting National Ambient Air Quality Standards (NAAQS) to protect public health and the environment with an adequate margin of safety and provided guidelines and deadlines to follow in meeting these standards. Of the six criteria pollutants for which NAAQS have been established, only one, ground-level ozone, is present in San Antonio at levels near the regulated limit. Specific guidelines and restrictions have been established for areas that exceed these regulated limits. These guidelines/restrictions can have significant impacts on local communities and economies.

In July 1997, the U.S. Environmental Protection Agency (EPA) proposed a new standard for ground-level ozone. An area will be in violation of the new ozone standard if its fourth-highest, daily eight-hour average, averaged over three consecutive calendar years, exceeds 0.08 ppm [equivalent to 85 parts per billion (ppb)]. San Antonio has exceeded this level in the past. However, due to federal, state, and local initiatives and favorable weather conditions, this year San Antonio was able to lower its three-year ozone levels to slightly below the new eight-hour standard. This is great news for San Antonio. However, the margin is very slight and emissions data shows that the San Antonio area is in jeopardy of losing this status. Therefore, San Antonio is considered near "non-attainment."

The new eight-hour standard was challenged as "unenforceable" in a federal court ruling dated May 14, 1999 and subsequently appealed to the Supreme Court. In July 2000 EPA was to designate/classify areas under the new ozone standard. The Supreme Court heard oral arguments on this matter in November 2000 and a decision rendered in 2001. Essentially, the Supreme Court upheld the lower court decision that the standard was legal but unenforceable. An interpretation from the lower court is expected. The EPA is now drafting guidance policy to address the implementation of the new standard. No date has been determined for completion of this policy.

The City has requested that EPA consider an approach that gives special designation for cities close to nonattainment that undertake significant voluntary air improvement measures. EPA officials have agreed to consider this issue. All parties involved in this clean air plan, including the local cities, counties and the EPA and state continue to move forward with drafting and finalizing this plan.

Essential to this clean air plan is the reduction of vehicle emissions. The City of San Antonio believes that significant reductions can be achieved by constructing Intelligent Transportation System Projects and by constructing cleaner burning domestically produced natural gas infrastructure for vehicular use.

Transportation Conformity

Once an area is designated nonattainment, a plan that includes extensive modeling and control strategies must be developed that demonstrates how an area will come into compliance. This plan is called a State Implementation Plan (SIP). Traditionally, during the period of time that an area is nonattainment and has no approved SIP, the area is also in a conformity lapse. Only exempt transportation projects may move forward in the absence of an approved SIP or projects that pass a “less-than-baseline” test. Potentially, millions of dollars in transportation projects will be on hold and or cancelled in the San Antonio area alone, during a conformity lapse.

In response, EPA officials indicated they would attempt to address concerns about transportation conformity post-designation by using the Agency’s flexibility to set effective dates, and/or through the Ozone Flex Plan. Congress apparently was not reassured and included in the FY 2001 VA-HUD Appropriations Bill (H.R. 4635) a provision reinstating the one-year grace period as set forth in the Clean Air Act, stating that the baseline test requirement does not apply until one year after nonattainment status has been designated. Thus, if no further conformity protections are forthcoming from either the new Administration or Congress, most transportation projects in new nonattainment areas are likely to be protected through 2002.

Cleaner fuels and vehicles

As ozone levels in San Antonio rise, strategic regional planning becomes increasingly important in order to return our air quality to beneficial levels. Some of the most effective strategies include cleaner burning fuels and vehicles. Unfortunately, when these strategies are implemented on local levels only, their impact is significantly reduced due to attrition rates and regional air mass transport into our airshed. Therefore, these strategies are most effective if implemented on a federal level and San Antonio would benefit significantly from faster timelines and implementation of more stringent standards.

However, two very important projects that San Antonio is pursuing are the construction of Liquefied Natural Gas (LNG) refueling infrastructure for heavy duty trucks, and the construction of Intelligent Transportation System projects.

New Designation for 8-Hour

As discussed previously, the designation of nonattainment under the old one hour standard brings several hardships to that area, including; conformity, new source review, as stated in the Clean Air Act. An opportunity currently exists with the EPA to develop a new designation for areas that exceed the new eight hour standard, but are in attainment under the one-hour standard. The City suggests that these areas could be designated at “near nonattainment”, with this designation the typical sanctions that are imposed, including the conformity and new source review, would not apply to these areas.

FINANCIAL IMPACT

With the implementation of the new eight-hour standard still in a state of flux, the City should continue to press its case for a more flexible federal approach prior to any potential redesignation. Should San Antonio be designated nonattainment in late 2002 and immediately lapse into non-conformity, numerous projects totaling millions could be in jeopardy. Because of strong planning efforts by our City, the MPO, and council of governments and the reinstated grandfathering provision, the conformity lapse is not expected to have immediate impact on the San Antonio area. However, until the EPA finalizes their policy, our future remains uncertain with respect to potential air quality.

Emergency Preparedness Appropriations

PROPOSAL

To support block grants or direct appropriations, in the amount of \$66 million, that will be utilized to fulfill the goals and objectives of the "Anti-Terrorism Plan for Bexar County and San Antonio." These secured funds will implement the training, equipment and enforcement strategies in a plan that enhances our ability to address emergency events.

BACKGROUND

Since the tragic events of September 11, 2001 the City of San Antonio and Bexar County have joined forces to develop a framework for building on our existing local governance partnerships for emergency management. Working with currently available resources, we have strengthened our system, made it more efficient and insured that the best emergency response services will be delivered to our citizens. To address the pressing need for improving homeland security, we have analyzed our future needs and have formulated a needs assessment that has been addressed in an anti-terrorism strategic plan.

The "Anti-Terrorism Plan for Bexar County and San Antonio" is divided into 11 different categories that separately address a specific need, but collectively each grouping will provide within Bexar County and San Antonio a seamless, comprehensive, coordinated emergency operating system, capable of responding to all natural disasters or attacks by chemical, biological, or nuclear agents, or any other terrorist actions. These categories are as follows:

Category 1 - Emergency Operations:

City of San Antonio

- Emergency Operations Center, remodeling, enhanced communication equipment;
- Fire, command vehicle, rescue equipment;
- Haz-mat, equipment and training;
- Police, command vehicle and equipment; and
- Emergency Medical Service, equipment and training.

Bexar County

- EOC, Sheriffs, Medical Examiner, fire, equipment and training.

Total \$8,100,684

Category - 2 Terrorist Investigations:

- Create a full-time anti-terrorism investigator assigned to the Bexar County District Attorney's Office anti-terrorism task force.

Total \$61,210

Category 3 - 911 System

Virtual Emergency\Event Management System (VEEMS)

- Multiple jurisdiction access;
- Multiple incident capability;
- Call-back notification system;
- Web-based incident management; and
- Mapping and plumbing software.

Total \$793,798

Category 4 - Public Health:

- Lab upgrades;
- Technological/communications;
- Pharmaceuticals;
- Personal Protective Equipment; and
- Training.

Total \$497,835

Category 5 - Public Education:

- Child/Day Care education program; and
- Shelter-in-place public education program.

Total \$204,743

Category 6 - Hospitals:

- Communications;
- Surveillance;
- Personal Protective Equipment;
- Facilities;
- Decontamination; and
- Training.

San Antonio has 14 major Hospitals (Baptist system 5, Methodist system 4, Christus Santa Rosa System 2, Nix, SWG, University).

Total \$49,055,486

Category 7 - Emergency Operations Center:

- Combined City/County Emergency Operations Center Facility;
- Medical Operations Center included in facility;
- Military Liaison capability; and
- Additional personnel.

Total \$7,221,500

Category 8 - School Districts:

- Review and revise Crisis Response Plans; and
- Disaster planning education.

Total \$208,600

Category 9 - Medical Preparedness:

Working Committees

- National Pharmaceutical Stockpile;
- Public Health;
- Education; and
- Hospital-EMS.

Total \$144,500

Category 10 - Research and Development:

- Identification of threats;
- Identification of more effective responses;
- Partners; and
- City of San Antonio, Bexar County Office of Applied Solutions, Texas Engineering Experiment Station (TEES), University of Texas San Antonio Center for Infrastructure and Assurance, Air Intelligence Agency at Lackland Air Force Base.

Funding from sources outside of this request.

Category 11 - Private Sector Development:

Enhancement of biotech, technology support and education

This effort will be coordinated through:

- San Antonio Institutional and Military Partners Accelerating the Commercialization of Technologies for Security (SA IMPACTS); and
- As well as over 200 other participants.

FINANCIAL IMPACT

The financial impact of this initiative cannot be determined at this time. It is anticipated that the full appropriation request will be received over several years. There may be increased operational costs to the City for the successful completion of Emergency Operations Center enhancements but these costs will only be known as funding is secured.

Housing and Inner-City Revitalization

PROPOSAL

To secure \$35 million in HOPE VI funding to assist with the redevelopment efforts of the Victoria Courts property and to work with other municipalities to secure level or increased funding for numerous other urban development related programs.

BACKGROUND

HOPE VI

Revitalization of Severely Distressed Public Housing – Supporting the reauthorization for the HOPE VI program with funding at \$625 million for FY 2003. In addition, advocating that the definition of “severely distressed public housing” be amended to enable local housing agencies to serve all public housing populations in addition to families; to give equal emphasis to physical and social or community distress; and to reduce the emphasis on, or requirement for, demolition of public housing units as a criteria for approving an application or redevelopment plan.

Victoria Courts – Grant funds would be used to build affordable housing and help to revitalize the downtown area economy with retail stores and recreation sites for the Victoria Courts property and community.

SECTION 8

Assurances from Congress to renew all Section 8 contracts in succeeding years and ensure that sufficient reserves are available when program costs become excessive will be crucial for low income housing continuity. In addition, supporting an increase in the number of available Section 8 vouchers and an increase in the fair market rent to the 50th percentile for all communities to help alleviate the increasing concern of underutilized vouchers.

Statutory law currently limits the family’s contribution on any newly executed Section 8 contract to 40% of the families adjusted income. Participants should have the flexibility to pay more than 40% of their income as long as the amount is reasonable. This would allow families in the program a greater degree of choice. If they were to pay 42% to 45%, they would still be paying less than they would be paying in the open market. This recommendation would allow housing agencies to base the 40% cap on gross income versus adjusted income.

The Housing Assistance Program (HAP) is the portion of assistance that is paid to the landlord. The tenant is responsible for the balance of the rent amount. Because some voucher holders are unable to find units, many housing agencies believe they should have

greater flexibility in using the HAP for purposes that will assist participants in securing housing. This could include assisting with security deposits, credit problems, moving and expenses. We recommend that the San Antonio Housing Authority be given greater flexibility in using the HAP, thus, allowing more ability to provide housing opportunities for low-income families.

Lastly, any unused Section 8 funds should be placed back in the program. Congress should enact language codifying a reserve account. Without a codified reserve, housing agencies will not know for certain whether there will be a buffer for rising market costs.

HOME PROGRAM

The Home Program is a stimulator of local economies. In the FY 2002 budget, the HOME Program received level funding at \$1.846 billion but included a \$50 million set aside for a Down Payment Assistance Initiative. This is the first year that HOME has had a set-aside taken from the formula to create a new program. This new program duplicates existing activities and does not give communities the flexibility to best meet their local needs. The City should oppose this set-aside. In addition, in FY 2003, the HOME formula should be increased to \$2 billion with no set-asides.

PUBLIC HOUSING CAPITAL FUND

In FY 2003, the City should urge Congress to allocate \$3.5 billion for the Capital Fund; this would ensure that resources are available to address public housing capital needs. It will also underscore the congressional commitment to foster public-private partnerships that will meet the growing need for quality housing affordable to extremely low-income and low-income households.

HUD should expand the flexibility in the use of these funds; enhance support for agencies that seek to develop and use new financing tools; and provide greater emphasis on public-private partnerships to close the gap between federal funds and program needs.

NEW HOUSING PRODUCTION PROGRAM

Housing advocates at the national level are working with Congress to develop a housing production program that allows localities to construct new affordable units or preserve and/or rehabilitate existing units.

FINANCIAL IMPACT

These programs can assist the City with its inner-city redevelopment goals and assist residents secure affordable house and homeownership.

International Airport Letter of Intent Funding

PROPOSAL

To obtain a Letter of Intent (LOI) for airport grant funding on behalf of the City of San Antonio, from the Federal Aviation Administration (FAA) for San Antonio International Airport. The LOI funding will be a crucial component of the City's airport capital improvement program (CIP) funding plan.

BACKGROUND

A LOI is a multi-year Airport Improvement Program discretionary grant commitment (typically over ten years) from the FAA to fund airport capital costs "for airside development projects with significant capacity benefits."¹ The City plans to use the LOI grant proceeds to fund a portion of the costs of important airfield capital projects including runway and taxiway improvements, designed to increase the capacity of the Airport, pursuant to its Master Plan.

Airports requesting LOI grant funds must demonstrate the importance of their projects in terms of expected capacity enhancements. The City will be competing against other airports for limited available LOI funds.

FINANCIAL IMPACT

The City plans to apply for approximately \$81 million in LOI funds to be received during fiscal years (FY)² 2002 through FY 2011. These funds would represent approximately 23% of the total \$350 million projected CIP costs over the next 10 years.

The proposed airfield improvements will increase the Airport's capacity to handle additional aircraft operations by approximately 30% and thereby avoid anticipated flight delays. Without the LOI grant funds, the Department would need to issue additional debt and likely postpone the implementation of the airfield capital projects. The proposed LOI grant funds will enable the Airport to fund the important airfield projects included in the CIP.

¹ U.S. DOT FAA, "Policy for Letter of Intent Approvals Under the Airport Improvement Program." *Federal Register*, Vol. 59, October 31, 1994.

² The Department's fiscal year begins on October 1st and ends on September 30th of the following calendar year. For example, FY 2002 will begin on October 1, 2001 and end on September 30, 2002.

Intelligent Transportation System

PROPOSAL

To obtain funding for San Antonio's Intelligent Transportation Systems:
Integrating Multi-Modal Technologies.

BACKGROUND

The San Antonio region has been a leader in Intelligent Transportation Systems (ITS) applications over the past decade. The region's existing ITS includes a transportation management center located at the TransGuide facility at IH-10 and IH-410. TransGuide currently provides motorists with "real time" traffic information, which includes notification of incidents such as hazardous spills or accidents, travel times, and roadway conditions during inclement weather. The traffic information is displayed on strategically located dynamic message signs on IH-10, IH-35, IH-37 and IH-410 US 281, US 90 and Loop 1604 and arterial dynamic message signs on Fredericksburg Road.

The "real time" traffic information is obtained with the use of surveillance cameras and detection devices. These devices are installed throughout the system. The devices allow operators to monitor the freeway to detect and verify that an incident has occurred. Once an incident has been verified, the operator must answer three questions that will appear on his computer screen. The three questions involve identifying the type of incident, number of lanes closed and determining whether vehicle demand will exceed the capacity of the remaining open lanes. As soon as the questions are answered, the system will search through 30,000 pre-determined, customized solutions. The system will offer a solution to the operator. This process was developed for NASA space shuttle flights and eliminates selecting responses manually. It allows the operator to focus his attention on the scene and task technology to do the system work.

In addition, an Automatic Vehicle Identification (AVI) system is operational and facilitates the calculation of current vehicle speeds, thus providing motorists with freeway "real time" travel times. The AVI travel tags support the "real time" travel time displays on all of the 70 dynamic message signs currently in operation in the San Antonio region. The system is fully integrated with TransGuide and does not require operator interface. By updating travel times every minute, it is the most advanced system in the United States. The integration of the City of San Antonio's traffic signal system with freeway operations is demonstrated in a dynamic route diversion system on IH-10 and Fredericksburg Road.

TransGuide also provides citizens with "real time" traffic information prior to starting their trip through the use of traveler information kiosks. These kiosks are located throughout the region. TransGuide also provides "real time" traffic information to local television, radio stations and traffic service companies during the morning and evening

commuting times. A dynamic parking information system for public parking facilities located in the central business district and at the San Antonio International Airport is currently under design. It is envisioned that this dynamic parking information system will be integrated with the existing AVI system, thus providing interoperability of one technology supporting several applications.

Project Scope: Expansion of San Antonio's Intelligent Transportation System

The San Antonio's Intelligent Transportation Systems: Integrating Multi-Modal Technologies project will expand the San Antonio region's existing ITS infrastructure. In addition, the project will provide for an operational test to assess the effectiveness of "center to center" communications. For example, communicating "real time" traffic information from a transportation management center located in one region to a transportation management center located in another region of the State. In this project, the communication linkage between transportation management centers will facilitate the effective and efficient movement of commercial goods, military convoys and emergency evacuation along the IH-37 corridor connecting San Antonio and Corpus Christi. This project will also facilitate commercial vehicle operational issues associated with North America Free Trade Agreement (NAFTA).

The project will have numerous infrastructure requirements. The backbone of the project is a fiber optic communications system that will be installed within the TxDOT right-of-way along the IH-37 corridor. Other major infrastructure components include, but are not limited to, the installation of freeway and arterial dynamic message signs, various detection and surveillance systems, weather detection system, at-grade railroad crossing systems, long haul traffic probe applications versus the existing traditional short haul AVI systems and systems integration.

The City of San Antonio and the Greater Kelly Development Authority have been developing an inland port concept for KellyUSA. The Port of Corpus Christi is currently identifying opportunities to expand its port. This project, San Antonio's Intelligent Transportation System: Integrating Multi-Modal Technologies, will facilitate the expansion of the Port of Corpus Christi and the development of an inland port at KellyUSA.

The project will provide for the effective and efficient movement of commercial goods traveling either by rail or truck along the IH-37 corridor from the Port of Corpus Christi to a distribution center at KellyUSA or an inter-modal rail yard in the San Antonio region. Truck and rail traffic will receive "real time" traffic information. This "real time" traffic data will be detected with the use of surveillance cameras and detection devices installed along the corridor. A fiber optic communications backbone installed in TxDOT right-of-way will provide the communications link between San Antonio's TransGuide, the Port of Corpus Christi and TxDOT's Corpus Christi District Transportation Management Center. The detection of "real time" traffic data will provide the travel times within the IH-37 corridor. This "real time" traffic information will be transmitted to commercial vehicles or rail operators moving goods between the Port of Corpus Christi and KellyUSA's inland port using several different methods. The various methods include displaying the information on strategically placed dynamic message

signs along the IH-37 corridor, to displaying the information on “in-vehicle” navigational devices installed in commercial vehicles. Strategic at-grade rail crossings will be instrumental to provide truck traffic with pre-planned diversion routing to the inland port or the multi-modal rail yard.

The San Antonio’s Intelligent Transportation System: Integrating Multi-Modal Technologies project has direct benefits to the Department of Defense. This same “real time” traffic information can be transmitted to military convoys while en route to the Port of Corpus Christi through San Antonio or to a central dispatcher at Fort Hood advising of travel delays and travel times to the port. Fort Hood is the largest military material depot in the continental United States. The Port of Corpus Christi has been designated a Strategic Military Port, consequently the port is responsible for deploying the Department of Defense within 24 hours following notification.

In addition, the project has direct benefits during hurricane evacuation. Providing citizens and public safety officials with a continuous flow of “real time” information will assure the safe evacuation of the Texas coast during a hurricane. The information transmitted to citizens and public safety officials during the evacuation will include not only traffic delays along the corridor but also weather conditions, and traveler advisories. This project will allow for public safety officials to manage traffic conditions by taking advantage of all the roadway capacity in the corridor and the San Antonio region. As the storm moves into the San Antonio region, the emergency traveler information system will be activated from the City of San Antonio traffic management center at TransGuide. The emergency traveler information system will provide motorists with traveler advisories of low water crossings and display detour information on arterial dynamic message signs. The dynamic message signs will also provide information pertaining to the location of available emergency shelters.

The benefits of the San Antonio’s Intelligent Transportation Systems: Integrating Multi Modal Technologies project contribute to meeting EPA standards for air quality. Currently, the San Antonio Metropolitan Statistical area’s elevated ozone levels are considered “near nonattainment” and may potentially exceed EPA standards if air pollution is not controlled. Vehicle emissions are the largest source of air pollution contributing to ground-level ozone in the San Antonio area. This project assist in reducing air pollution through the reduction of vehicle delay, reduction of travel times, implementing incident diversion routes maintaining consistent speeds and managing signal timing to facilitate vehicle movements on the arterials.

The San Antonio’s Intelligent Transportation Systems: Integrating Multi-Modal Technologies project in providing “real time” traffic and weather information will promote economic growth and safety for the citizens of South Texas.

FINANCIAL IMPACT

The San Antonio District of TxDOT is currently developing cost estimates for this project. The City of San Antonio will seek 100% federal funds from the Department of Transportation and Department of Defense for this project. In addition, the participating

public agencies will seek a private sector communications provider to assist with this project.

Military Affairs

PROPOSAL

To promote legislative and regulatory initiatives which help enhance the economic value of our current and former military installations, as well as assist the community's efforts to prepare for another round of base closure and realignment (BRAC) in 2005. Specifically, such initiatives should focus on facilitating partnering activities with the military to: (1) help increase the military value of local installations; (2) assist installations in reducing infrastructure support costs; and (3) promote economic development opportunities on and around the installations.

BACKGROUND

The community is now home to four active military installations with the closure of Kelly Air Force Base on July 13, 2001. These installations, including local guard and reserve units, employ approximately 75,000 personnel generating a direct economic impact to the local economy of about \$3 billion. With another round of base realignment and closure (BRAC) approved for 2005, the City and community must continue partnering with military installations on initiatives that help increase the military value of our bases and assist them in achieving efficiencies by finding ways to reduce infrastructure support costs. The focus should be not only on the retention of existing missions, but on making local installations more competitive sites for attracting new military missions and jobs. The recently announced BRAC Task Force established by the Mayor in partnership with the local chambers of commerce will serve as the forum for helping the community prepare for another round of BRAC. The City Council Military Affairs Committee, established in June 2001, has been visiting each of the local military installations to discuss potential partnership initiatives with local commanders.

Since the last round of BRAC in 1995, the City has been proactive in partnering with its military installations and leveraging the assets on our military installations to promote economic development. Two major initiatives are the Brooks City-Base project and the Fort Sam Houston public-private leasing partnership. Both of these projects are unique, pace-setting Department of Defense (DOD) initiatives.

Under the Brooks City-Base project, the City is completing negotiations with the Air Force to transfer Brooks Air Force Base property (land and facilities) to the City. The Air Force will then lease back facilities for Air Force missions. The agreement should be completed in early 2002. City-Base will help the Air Force significantly reduce infrastructure support costs as the City assumes responsibility for municipal services and property management. The City expects to retain the Air Force missions and jobs and to leverage the unique physical and intellectual Air Force assets at Brooks to promote development on and around the base through establishment of the Brooks Technology and Business Park. One potential development initiative the community is

pursuing is the establishment of a DOD Vaccine Production Facility at Brooks (see separate paper). Also attached is a more detailed list of Brooks specific initiatives that will help make the City-Base project a success.

At Fort Sam Houston the Army has signed a fifty-year lease with Orion Partners, Inc. and Roy F. Weston, Inc. on 502,196 square feet of space in three historic buildings - the old Brooks Army Medical Center and two wings of the Beach Pavilion Complex. Orion/Weston expects to finance approximately \$50 million in renovations secured through long-term leases with commercial and public sector tenants. The success of this unique partnership is critical to assisting the Army in reducing infrastructure support costs and generating net cash flow for both the Army and Orion/Weston. The City and community, therefore, should assist Orion/Weston in finding tenants for these facilities. One potential new tenant is U.S. Army South Headquarters currently located in Puerto Rico employing approximately 800 personnel. The Army is currently considering the relocation of USARO to Fort Sam Houston and will likely make a decision in early 2002.

At KellyUSA, the Greater Kelly Development Authority (GKDA) continues implementation of the community's 1995 Initial Base Adjustment Strategy Committee strategic plan. To date, GKDA has successfully created over 5,000 new commercial jobs and has leased out 70% of the available space. New tenants include major aerospace industry players such as Boeing, Lockheed-Martin, Chromalloy, Standard Aero and Pratt & Whitney. In the past 12 months GKDA has completed over \$70 million in new construction and facility upgrades, to include the building of a new hangar facility to accommodate Boeing's expansion. With the City's Air Cargo Study nearing completion, planning is underway to establish air cargo operations at KellyUSA. GKDA is also partnering with the City, the Port of Corpus Christi, the Texas Department of Transportation and major railroad companies to establish inter-modal operations at KellyUSA with critical linkage for truck traffic being provided by the planned Kelly Parkway. The success of this partnership and funding of this transportation initiative is key to creating Inland Port San Antonio.

The future of our military installations is a high priority for San Antonio. The community must remain focused on preserving and enhancing our existing defense establishments and continuing the successful redevelopment of KellyUSA. Specifically, the following goals should be pursued with both the Administration and Congress:

- Support initiatives that will help make Brooks City-Base a success (see Appendix A). The Directed Energy Bio-effects Laboratory military construction (MILCON) project is especially important.
- Support language in the Department of Defense (DOD) Authorization/Appropriation bills that permits the Air Force to indemnify the City for potential liability relating to environmental pollution at Brooks AFB, if any.
- Support relocation of federal organizations and agencies to government facilities on KellyUSA, Brooks AFB and Fort Sam Houston to use space being vacated by departing DOD missions. All three installations are excellent candidates for Customs, Drug Enforcement Agency and relocating DOD missions. Specifically,

support the relocation of U.S. Army South to Fort Sam Houston and the relocation of other Army or federal agencies into the 502,196 square feet of historic facilities pending renovation and leasing.

- Support funding for the planned Kelly Parkway and other road and rail projects on KellyUSA to facilitate the establishment of multi-modal logistics and distribution operations and the Inland Port San Antonio Concept.
- Support funding for Military Construction (MILCON) Projects on Lackland AFB for a Mobility Center and the Inter-American Air Force Academy. Such construction will allow the Air Force to move these operations from the east side to the west side of the Kelly runway, thus making additional facilities and property available for KellyUSA development efforts.
- Continue support for the U.S. Economic Development Administration (EDA) programs and increased funding for the EDA Austin Regional Office. The City intends to seek additional EDA grants for KellyUSA development, Brooks City-Base implementation, and other targeted economic development projects.
- Support DOD efforts to streamline and simplify regulatory initiatives for reducing infrastructure support costs at military bases, such as outsourcing and privatization.

FINANCIAL IMPACT

By expanding and enhancing the missions of our military installations, through the formation of community-military partnerships and the reduction of infrastructure support costs, it is less likely San Antonio will experience another base realignment or closing and the resulting economic disruption from such an action. The successful redevelopment and commercialization of KellyUSA, establishment of the Brooks City-Base, and implementation of a business/leasing plan for Fort Sam Houston will result in the creation of new jobs and promote diversification and expansion of the local economy.

National Energy Policy - City Public Service

PROPOSAL

To support national energy policies that promotes the increased production, supply, transportation, and conservation of domestic energy resources and to protect the interests of City Public Service (CPS) in any such legislation by: (1) Protection of Texas' restructuring legislation from any form of federal preemption, (2) Reform of the federal tax code to remove "private use" barriers to market participation by public power systems, and (3) Opposition to attempts to regulate carbon dioxide (CO₂) under the Clean Air Act or as part of a multi-pollutant control strategy.

BACKGROUND

As electric power industries are shifting towards an open market, there is growing recognition and increasing support from the members of Congress to focus on energy-related issues during the next legislative session. Consistent with policy initiatives established by the City of San Antonio, City Public Service's federal legislative package aims to strengthen, improve and enhance the laws that govern the City of San Antonio and its citizens. Provided below is a synopsis of the issues that CPS will be actively following at the federal level: These are more fully explained in the appendix to this program.

Public Utility Bond Restrictions

- Eliminate the private use restrictions on existing tax-exempt bond financed facilities in anticipation of a restructured electric utility environment.

Under current federal tax law, electric utilities owned and operated by local governments can issue tax-exempt bonds to finance their capital investments. These bonds are subject to the private use rules in the federal tax code designed to prevent private parties from benefiting from lower-cost tax-exempt financing. The private use rules severely limit the ability of municipally owned electric systems to sell power and they severely restrict the use of transmission facilities by private businesses or investor-owned utilities. The barriers created by the private use restrictions severely impact the functionality of an open market and prohibit municipally owned utilities from participating.

Air Quality

- Support multi-pollutant approaches for regulated pollutants with maximum flexibility afforded to local and state decision-making authorities;
- Support greenhouse gas (ghg) reduction strategies that recognize ghg emissions as separate and apart from health-based pollutants; and

- Oppose attempts to regulate carbon dioxide (CO₂) under the Clean Air Act or as part of a multi-pollutant control strategy.

Considerable discussion has occurred over taking a comprehensive, incentives-based approach to tougher regulation of air emissions. Key elements include an integrated program for controlling multiple air pollutants (NO_x, SO₂, and Hg), using market-based mechanisms and reform of existing regulations to achieve emission reductions at lower costs while assuring electric reliability, reasonable electric costs and energy security. Some advocate the inclusion of greenhouse gas emission controls as part of a multi-pollutant emissions reduction approach. CPS believes that a greenhouse gas strategy should be developed as a separate program.

Energy Policy

- Support the development and implementation of a national energy policy that promotes the increased production, supply, transportation and conservation of domestic energy resources; and
- To support electricity legislation that does not pre-empt state law regarding the implementation of retail competition and that protects the interests of San Antonio electric and gas customers.

An increase in demand for energy combined with a lack of investment in new production has resulted in an energy supply shortage for the United States. In that regard, Congress will attempt to pass comprehensive legislation that will increase energy supplies, modernize energy conservation and improve the industry's infrastructure. CPS will remain supportive of these efforts provided that traditional fuel sources are maintained or enhanced, and barriers to transmission are removed. Furthermore, Texas will not fully benefit from a restructured market unless Congress passes legislation that protects ERCOT from additional federal regulation, removes private use restrictions, and ensures open access and reliability.

FINANCIAL IMPACT

City Public Service is a municipality owned utility responsible for approximately 28% of the City's annual revenues as well as some of the least expensive and reliable energy in the nation. CPS estimates that the costs to mitigate CO₂ production, in just fuel replacement costs, could indicate a 20% increase in rates to San Antonio electric customers. In addition, the inequitable application of the requirement to reduce mercury emissions by 90% would result in an almost certain shutdown of CPS coal plants - 50% of CPS generation capacity.

North American Development Bank Reform

PROPOSAL

To oppose legislation or executive action that would merge the North American Development Bank (NADB) with its sister institution, the Border Environment Cooperation Commission (BECC), or otherwise substantially alter the structure of the NADB without first conducting a comprehensive organizational review of the NADB and BECC in order to determine the best approach to reform.

To support legislation or executive action to adopt the goals outlined in the August 9, 2001 independent report prepared by the North American Integration and Development Center at UCLA, the Texas Center for Policy Studies and the William C. Velasquez Institute – “Finding Common Ground: A Public Interest Proposal for BECC/NADBANK Reform” and endorsed by the Free Trade Alliance San Antonio.

To support legislation or executive action for the effective expansion of the NADB’s geographic and sectoral mandates in order to maximize its lending potential.

BACKGROUND

The North American Development Bank (NADB) and its sister institution, the Border Environment Cooperation Commission (BECC), were created under the auspices of the North American Free Trade Agreement (NAFTA). Established in San Antonio, Texas, the NADB is a bilaterally funded and international organization, in which Mexico and the United States participate as equal partners.

The NADB is an international financial institution established and capitalized in equal parts by the United States and Mexico for the purpose of financing environmental infrastructure projects. All NADB-financed environmental projects must be certified by the BECC, be related to potable water supply, wastewater treatment or municipal solid waste management and be located within the border region.

Since inception the NADB has approved a total of \$349.27 million in financing for 40 projects. The majority of this has been in the form of grants. Only 9 loans have been made for a total of \$23.52 million.

Over the last several months, there has been considerable discussion of the performance and roles of the NADB and the BECC. This criticism stems from the fact that the NADB’s capital is very underutilized, as well as concerns that the certification and financing processes of the NADB and BECC are cumbersome, creating project delays.

The U.S. Treasury Department and its Mexican counterpart, *Hacienda*, have disclosed preliminary details of a reform proposal that would essentially call for a dismantling of the NADB and BECC, creating a new “border environmental fund” that would be headquartered some place other than San Antonio. This reform proposal does not appear to contemplate any significant sectoral or geographic mandate expansion, which in the opinion of many experts is the key to effective reform of the NADB and BECC.

The aforementioned reform proposal that the City endorses essentially calls for:

- maintaining the promise of NAFTA to improve public health, environment and living conditions along the U.S./Mexico border by keeping the focus of the NADB and BECC on environmental infrastructure projects;
- opening the possibility of creating a broader “development bank” to foster North American economic integration; and
- the City strongly supports maintaining San Antonio as the headquarters of the North American Development Bank.

FINANCIAL IMPACT

The City maintains a significant financial interest in keeping the NADB headquartered in San Antonio.

SAWS Infrastructure Appropriations

PROPOSAL

To secure federal funding to enhance existing programs for water resource development, water quality and wastewater infrastructure.

BACKGROUND

In February 2001, the Water Infrastructure Network reported that America's water and wastewater systems will have to invest \$23 billion a year to meet the national environmental and public health priorities in the Clean Water Act and Safe Drinking Water Act and to replace aging and failing infrastructure. The report called for a five-year, \$57 billion federal investment in water and wastewater systems to replace aging pipes, upgrade treatment systems, and continue efforts to protect public health and the environment.

San Antonio is no exception to the need to replace and upgrade critical components of the water and wastewater system. Master planning efforts have identified over \$700 million in funding requirements necessary to provide adequate wastewater service for San Antonio. An additional \$805 million is needed for water delivery infrastructure. An enhanced federal role should provide for distribution of funds in fiscally responsible and flexible ways, including grants, loan subsidies, and credit assistance. Some of the top needs include:

- **Domestic wastewater management systems** – includes wastewater collection and pumping infrastructure, wastewater treatment plants, wastewater reclamation and reuse facilities, biosolids (sludge) management and discharge infrastructure.
- **Drinking water supply systems** – includes water treatment facilities, finished water storage, finished water distribution systems, source water development, water supply management and interconnection, source water protection, demand management and rehabilitation of raw water conveyance and water storage infrastructure.

FINANCIAL IMPACT

SAWS faces a number of challenges related to aging infrastructure. SAWS has over 9,000 miles of water and wastewater mains and associated treatment plant and water production and storage facilities. Many of the older facilities originally installed during the early part of the 20th century are at the end of their service life. Replacement of aging infrastructure is necessary to reduce incidence of failures and to insure compliance with environmental standards. Integration of new water sources will require additional transportation, storage and treatment facilities within the existing distribution network.

Vaccine Production Facility

PROPOSAL

To support the creation of a Department of Defense (DOD) Vaccine Production Facility in San Antonio, preferably at the Brooks Technology and Business Park.

BACKGROUND

The National Defense Authorization Act for FY 2002 authorizes the Secretary of Defense (SECDEF) to carry out a program to aggressively accelerate the research, development, testing, and licensure of new medical countermeasures for defense against biological warfare agents. Subject to the future appropriation of funds, SECDEF is also authorized to design and construct a facility for the production of vaccines to meet Department of Defense (DOD) requirements to prevent/ mitigate the effects of exposure to biological warfare agents. DOD would operate the facility and contract with the private sector to produce the vaccines. By February 1, 2002 SECDEF must submit a plan with recommendations for establishing a new vaccine production facility. The project budget could be as large as a billion dollars. Several communities are seeking the facility.

The City, in partnership with the entire community of public and private sector leaders, academic institutions, bio-medical organizations, utility providers and other stakeholders, is pursuing the establishment of this new DOD vaccine production facility in San Antonio, ideally at the Brooks Technology and Business Park. By locating in San Antonio, DOD will leverage the extensive broad-based research, medical and biotechnology assets that already exist in our community. These assets include:

- Air Force capabilities at Brooks Air Force Base - clinical epidemiology laboratory, molecular biology, DNA diagnostics, chemical and radiological sensors, linkages with the Centers for Disease Control, etc.
- Southwest Foundation for Biomedical Research - non-profit biomedical research institution, Regional Primate Research Center, only BL-4 containment facility west of the Mississippi, certified laboratories, vaccine research, etc.
- University of Texas Health Science Center (UTHSC)- medical, dental and nursing schools, diverse clinical and infectious disease research, and clinical trials management.
- University of Texas at San Antonio - Biotechnology Center of Excellence, partnering with UTHSC on masters and doctoral programs in biomedical engineering, and partnering with Brooks AFB.
- Southwest Research Institute – Large, broadly based applied research organization conducting biological and chemical development programs.
- Wilford Hall Medical Center - U.S. Air Force Medical Center Hospital, Level-1 trauma center.

- Brooke Army Medical Center - U.S. Army medical center hospital, Level-1 trauma center.
- Fort Sam Houston - U.S. Army Medical Department Center and School, veterinary laboratory with access to various infectious organisms.
- Texas Research Park - biomedical product development and clinical trials, laboratory space, etc.
- DPT Laboratories, BioNumerik and Mission Pharmacal - local pharmaceutical manufacturing companies.

The City will need to partner with ALL potential private sector companies who will likely compete for this project once DOD decides to proceed with a request for proposals. Securing this new facility will greatly facilitate the success of the Brooks City-Base project, continue growth in a strong bioscience industry sector, provide new good paying jobs in an older sector of the City and attract related bio-technology companies and jobs to the area.

FINANCIAL IMPACT

The City will likely need to offer robust and favorable business incentives, such as a tax phase-in, to private sector bidders who are willing to partner with San Antonio in submitting a competitive proposal to DOD.

Omnibus Legislative Policy

PROPOSAL

To support federal regulations or legislation which would clearly benefit the City and oppose any regulations or legislation that would clearly be detrimental to the City's interests.

BACKGROUND

In 1995 Congress created a mechanism that would place obstacles in the path of imposing new, unfunded federal mandates on the taxpayers of the nation's cities and towns. The law created a mechanism to force Congress and the White House to acknowledge the impact of proposed unfunded mandates on state and local governments. However, it left untouched federal authority to preempt traditional municipal rights, responsibilities and revenue resources.

The City of San Antonio has historically endorsed legislation that would clearly benefit the City and opposed all bills that met one or more of the following criteria:

- Undermine the principles of self-government;
- Mandate increased cost to cities, including environmental mandates;
- Result in the loss of revenue to cities or change the authority of the City to generate revenues;
- Diminish the fundamental authority of cities to operate in a manner consistent with the best interest of the health, safety and welfare of the general public; and/or
- Preempt municipal authority, such as franchising, zoning, permits, licenses and municipal code development, and interfere with municipal control over the rate and nature of local taxation.

FINANCIAL IMPACT

This policy will assist the City staff and government affairs consultants in expediting measures to defeat detrimental legislation and play a pro-active role in passing beneficial legislation.

APPENDIX A

Brooks City Base

PROPOSAL

To promote legislative and regulatory initiatives which will enhance San Antonio's military industry sector by assisting military installations in becoming more cost efficient and facilitating economic development initiatives on and around installations.

BACKGROUND

Directed Energy Bio-effects Laboratory Military Construction (MILCON):

The Air Force Research Laboratory's biotechnology program at Brooks AFB is located in numerous buildings scattered across the base. Air Force Materiel Command has proposed a \$20M MILCON Project to replace nine 40-year-old buildings totaling about 150,000 sq. ft. by two new buildings, a 55,000 sq. ft. Tri-Service Research Laboratory and a 35,000 sq. ft. Veterinary Research Facility. Five of the nine old buildings are for animal care, have reached the end of their useful lives, and will be demolished. The other four could be reused for other purposes. If the animal care buildings are not replaced in the next few years, AFRL risks losing its animal care accreditation, which would shut down most of its research program here. This MILCON project is a very high priority for Brooks, but will not likely be funded in FY03 without vigorous support from our congressional representatives.

Brooks City-Base Project (BCBP):

Although the City and the Air Force have made tremendous progress on finalizing BCBP, particularly the conveyance and leaseback documents, it is important that the BCBP initiative continue to enjoy high visibility and strong support in the Air Force and in Congress. It is especially important that the Secretary of the Air Force and our congressional representatives understand how firmly the City of San Antonio supports Brooks and BCBP, so that all are prepared to intervene personally if any last-minute problems arise.

Homeland Defense Initiatives:

In a November 29, 2001 meeting with Representative Ciro Rodriguez, Lieutenant General Carlton, the Air Force Surgeon General, identified several important chemical and biological defense initiatives, totaling about \$37.9M, which should be performed at Brooks. Key components include the CBAWS (Chemical/Biological Attack Warning System (\$11M), the LEADERS hospital information system (\$9M), medical response

training programs (\$9M), and the Center for the Advancement of Global Health (\$6M) described below. Brooks is both the Air Force technology development and acquisition center and the Air Force medical training center for chemical and biological defense.

Center for the Advancement of Global Health (CAGH):

Lieutenant General Carlton has also proposed a joint military-civilian initiative in disaster response and the creation of an international Center for the Advancement of Global Health. General Carlton has made some initial Air Force investments in developing such a center by assigning 39 additional personnel to Brooks by the summer of 2002. The potential exists for leveraging San Antonio's public and private health industry assets that could lead to the establishment of a CAGH at Brooks. The initiative supports homeland defense, both directly through disaster response preparation and indirectly through constructive engagement with third world countries. A multi-million dollar request has been submitted to the Defense Security Cooperative Agency for a CAGH-like entity.

Brooks/UTSA Bio-processing Facility:

The University of Texas at San Antonio and Brooks has initiated a joint program in bio-processing in support of homeland defense. This year, Senator Kay Bailey Hutchison secured a \$1.0M appropriation to rehabilitate an existing 10,000 sq. ft. laboratory building at Brooks and a \$1.1M appropriation to purchase some of the necessary equipment. An additional \$3.0M is needed next year to complete the purchase and installation of equipment and to begin the research and education program.

APPENDIX B

Energy Policy and Legislation

PROPOSAL

To support energy policy legislation that promotes the increased production, supply, transportation and conservation of domestic energy resources.

To support electricity legislation that does not preempt state law regarding the implementation of retail competition and that protects the interests of San Antonio electric and gas customers.

BACKGROUND

Energy Policy

Energy supply problems that began in the oil sector have now crossed over to other energy sectors, including natural gas and electricity. Scarcity of supply and transportation caused sharp increases in home-heating costs last winter and unusually high natural gas prices have contributed to the expanding crisis in electricity. In the West, California's rolling blackouts and severe shortages in neighboring states, have served to underscore the fact that, among other contributors, an imbalance exists between energy supply and demand.

These events focused public and political attention on the need to update and coordinate the nation's energy policy and to provide for increased production of domestic energy sources. Originally, bills were filed in the Senate and the House on energy policy matters consisting of production, supply and conservation issues with additional provisions on interconnection and net metering. H.R. 4 by Barton/Tauzin passed the House in August but was stalled after Democrats took over the Senate. Support has resurfaced for H.R. 4, however, many attempts to attach H.R. 4 to other bills, such as the DoD's appropriations bill and the Democratic stimulus package, failed.

In December, Senate Democrats introduced an updated version of a comprehensive energy bill as an alternative to HR 4. The bill was compiled outside of the traditional committee process after Daschle instructed Bingaman to forego marking up his energy bill and supply him with new language. Daschle has indicated that he will allow debate on the bill after Congress reconvenes in late January, but before recess in late February.

Electricity

During 1999, Texas passed legislation to transition the State to competition on January 1, 2002. Federal legislative initiatives under consideration have the potential to affect this transition. Currently, there are two bills that will be active during the 2nd Session of the 107th Congress, S. 1766 by Daschle and H.R. 3406 by Barton. These bills seek to strengthen the marketplace and the grid through promoting competition in the electric utility industry.

Impact Analysis

Energy Policy - The promotion of increased production, supply, transportation, and conservation of domestic energy resources through comprehensive energy policy legislation will provide long term benefits to all electric customers.

Electricity - Texas consumers and public power systems will not fully realize the benefits of restructured electric markets in this state unless federal legislation addresses the following key issues:

- Reform of the federal tax code to remove "private use" barriers to market participation by public power systems,
- Protection of Texas' restructuring legislation (Senate Bill 7) from any form of federal preemption,
- Protection of ERCOT (the intra-state electric grid within Texas) from any additional federal regulation,
- Federal assurance of open and nondiscriminatory access to the wholesale electric market in areas of Texas served by the inter-state electric grid.

APPENDIX C

A Multi-Pollutant/Integrated Approach To Air Quality And A Greenhouse Gas Strategy.

PROPOSAL

To support a multi-pollutant/integrated approach that emphasizes the need to develop energy and air quality policies that assures achievement of both environmental quality and energy security goals.

To support a greenhouse gas strategy that is based on sound science and takes into account that emissions that might affect climate change are distinct from emissions characterized as pollutants, which have a clearly defined and well understood effect on public health. CPS is not supportive of any attempt to regulate carbon dioxide (CO₂ - a greenhouse gas) under the Clear Air Act or as part of a multi-pollutant control strategy.

BACKGROUND

Air quality and other environmental issues are playing a prominent role in the 107th Congress. In addressing air quality, there is considerable discussion over taking a comprehensive, incentives-based approach to tougher regulation of air emissions. Key elements include an integrated program for controlling multiple air pollutants (NO_x, SO₂, and mercury), using market-based mechanisms, and reform of existing regulations to achieve emission reductions at lower costs while assuring electric reliability, reasonable electric costs, and energy security.

Some advocate the inclusion of greenhouse gas emission controls as part of a multi-pollutant emissions reduction approach. In contrast, CPS believes that a greenhouse gas strategy should be developed as a separate program that considers both the discrete characteristics of greenhouse gases (as distinct from identifiable public health consequences of pollutants) and the need to address greenhouse gases. Unlike health-based pollutants that have measurable cost/benefit ratios and emissions reduction technologies that take these into account, there are no similar benchmarks by which to measure the costs and benefits of carbon capture technologies available to assist industry and policy makers in establishing policies for the reduction of gases.

FINANCIAL IMPACT

Several bills have been filed during the 107th Congress that addresses a multi-pollutant approach. These bills (S. 556 & H.R. 1256) include two troubling requirements that would have a significant impact on San Antonio electric consumers: A requirement for CO₂ emissions reductions to 1990 levels and a 90% reduction in mercury emissions.

CPS estimates that the costs to mitigate CO₂ production, in just fuel replacement costs, could indicate a 20% increase in rates to San Antonio electric customers. In addition, the inequitable application of the requirement to reduce mercury emissions by 90% would result in an almost certain shutdown of CPS coal plants - 50% of CPS generation capacity.

The Environmental Protection Agency (EPA) and the Environmental Investigation Agency (EIA) recently testified before the Senate Environment and Public Works Committee. Their testimony revealed that they strongly oppose passage of these bills because of their potential impact on consumer prices, electric reliability and job security resulting from the need for utilities to shift from coal to natural gas in order to comply. The EPA testified that S. 566 could increase consumers' electricity rates by as much as 50%. In addition, the combination of emission reductions and timing is not feasible and could threaten the reliability of electricity supply. Furthermore, the EPA is concerned that the short timeframes for installation of controls could lead to power plants being taken off-line at important times, which would ultimately cause electricity shortages.

APPENDIX D

Public Utility Bond Restrictions

PROPOSAL

To eliminate the private use restrictions on existing tax-exempt bond-financed facilities in anticipation of a restructured electric utility environment.

BACKGROUND

Public power utilities are owned, operated and used by state and local governments which are entitled to issue tax-exempt bonds to finance generation, transmission and distribution facilities. This statutory right of state and local government to issue tax-exempt debt carries with it limitations to ensure that public credit is not used for private purposes.

In 1986, the Tax Reform Act was passed by Congress and included various provisions which restricted the extent to which private parties could use facilities financed by tax-exempt bonds. Prior to 1986, a maximum of 25 percent of the facilities could be used by private parties in their trades or businesses for “private use.” The Tax Reform Act decreased the private use limitation from 25 percent to 10 percent for all governmental bonds. Congress imposed a significant additional limitation on public power facilities whereby private use may not exceed the lower of 10 percent or \$15 million for a single project.

APPA initiated a grassroots campaign in 1999, the Campaign for Local Control, to support legislation to eliminate our private use restrictions. During the 106th Congress, bills were introduced to this end. Overall, the bills enjoyed bipartisan support with 126 House sponsors and 33 Senate sponsors. Unfortunately, the efforts to pass legislation were unsuccessful.

Several entities in the electric utility industry had legislation related to their tax needs arising from new FERC policies and an increasingly competitive market. Realizing that the opportunity for legislative success would be greatly improved by resolving differences on the most contentious issues, representatives of public power and investor-owned utilities reached an agreement that allowed the two groups to combine these issues in a single bill that all could support. This new legislation was introduced in July 2000 as the Electric Power Industry Tax Modernization Act by a large bipartisan delegation of House and Senate members. The bill gained quick support from members of the tax-writing committees in Congress but ultimately fell victim to wrangling over the size and scope of a major tax package.

During the 107th Congress, Representative Hayworth reintroduced the "Electric Power Industry Tax Modernization Act" as H.R. 1459, and Senator Murkowski introduced the Senate version as S. 972. Additionally, the provisions are included as part of comprehensive energy legislation.

FINANCIAL IMPACT

The advent of customer choice of power suppliers, now a reality in several states, including Texas, creates a private use dilemma for public power systems that have financed generation with municipal bonds. Public power entities in a customer choice environment might lose customers to other power suppliers. In such cases, they will have generation capacity that can be marketed to potential new customers. But the manner in which that capacity can be marketed, and even whether it can be marketed, must be considered in light of the private use limitations. In many cases, it may be impossible to market this capacity to existing new customers without violating the private use limits, thereby creating a significant disadvantage to the remaining customers.